

FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS
For The Year Ended March 31, 2008

FRANKLIN TOWNSHIP
BOARD OF TRUSTEES

Richard Ecklin	Supervisor
Jenette Hopkins	Clerk
Sandy Scherrer	Treasurer
Cecilia Soyring	Trustee
Yvonne Dalton	Trustee

TOWNSHIP POPULATION–2000
809

STATE EQUALIZED VALUE–2007
\$51,753,289

STATE TAXABLE VALUE–2007
\$28,183,433

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS
MARCH 31, 2008**

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Independent Auditors' Report

Members of the Board of Trustees
Franklin Township
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Clare County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Clare County, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Burnside & Lang, P.C.

Midland, Michigan
September 26, 2008

Exhibit 1

FRANKLIN TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

ASSETS

Cash and cash equivalents	\$ 350,184
Investments	44,125
Taxes receivable - current	31,388
Other receivables	82,629
Capital assets:	
Land	8,775
Buildings and improvements, net	41,475
Township equipment, net	310
Total capital assets	<u>50,560</u>
Total assets	<u>558,886</u>

LIABILITIES

Accounts payable	2,039
Accrued expenses	<u>2,108</u>
Total liabilities	<u>4,147</u>

NET ASSETS

Invested in capital assets	50,560
Restricted for:	
Road repair and maintenance	319,878
Rubbish removal	101,238
Unrestricted	<u>83,063</u>
Total net assets	<u>\$ 554,739</u>

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2008

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Program Revenues Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 17,387	\$ -	\$ -	\$ -	\$ (17,387)
Supervisor	10,723	-	-	-	(10,723)
Treasurer	17,473	-	-	-	(17,473)
Assessing	22,364	-	-	-	(22,364)
Clerk	11,428	-	-	-	(11,428)
Elections	772	-	-	-	(772)
Board of review	1,707	-	-	-	(1,707)
Buildings and grounds	10,222	-	-	-	(10,222)
All other general government	9,739	-	-	-	(9,739)
Fire protection	17,547	-	-	-	(17,547)
Road repair and maintenance	47,905	-	-	-	(47,905)
Rubbish removal	89,028	-	-	-	(89,028)
Library	4,045	-	-	-	(4,045)
Total governmental activities	\$ 262,495	\$ -	\$ -	\$ -	(262,495)
General revenues:					
Property taxes, levied for general purposes					31,970
Property taxes, levied for road maintenance					50,162
Property taxes, levied for rubbish removal					97,014
State revenue sharing					55,660
Interest earnings					4,020
Miscellaneous					8,370
Total general revenues					247,196
Change in net assets					(15,299)
Net assets-beginning					570,038
Net assets-ending					\$ 554,739

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
GOVERNMENTAL FUNDS BALANCE SHEET
March 31, 2008

	<u>General Fund</u>	<u>Road Fund</u>	<u>Rubbish Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 62,368	\$ 287,816	\$ -	\$ 350,184
Investments	19,628	24,497	-	44,125
Taxes receivable, net	4,700	7,565	19,123	31,388
Due from other township funds	514	-	82,115	82,629
	<u>514</u>	<u>-</u>	<u>82,115</u>	<u>82,629</u>
Total assets	<u>\$ 87,210</u>	<u>\$ 319,878</u>	<u>\$ 101,238</u>	<u>\$ 508,326</u>
LIABILITIES				
Accounts Payable	\$ 2,039	\$ -	\$ -	\$ 2,039
Accrued Expenses	2,108	-	-	2,108
Total liabilities	<u>4,147</u>	<u>-</u>	<u>-</u>	<u>4,147</u>
FUND BALANCES				
Unreserved and undesignated	<u>83,063</u>	<u>319,878</u>	<u>101,238</u>	<u>504,179</u>
Total fund balances	<u>83,063</u>	<u>319,878</u>	<u>101,238</u>	<u>504,179</u>
Total liabilities and fund balances	<u>\$ 87,210</u>	<u>\$ 319,878</u>	<u>\$ 101,238</u>	<u>\$ 508,326</u>

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2008

Total fund balances for governmental funds (Exhibit 3)	\$ 504,179
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Land	\$ 8,775
Buildings and improvements, net of \$26,161 accumulated depreciation	41,475
Township equipment, net of \$29,068 accumulated depreciation	310
Total capital assets	<hr/> 50,560
Total net assets of governmental activities (Exhibit 1)	<hr/> \$ 554,739

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended March 31, 2008

	General Fund	Road Fund	Rubbish Fund	Total
REVENUES				
Property taxes	\$ 31,970	\$ 50,162	\$ 97,014	\$ 179,146
State aid	55,660	-	-	55,660
Interest and dividends	1,625	2,395	-	4,020
Rents and royalties	177	-	-	177
Miscellaneous	8,193	-	-	8,193
Total revenues	97,625	52,557	97,014	247,196
EXPENDITURES				
General government	101,090	-	-	101,090
Public safety	19,592	-	-	19,592
Public works	-	47,905	89,028	136,933
Total expenditures	124,727	47,905	89,028	261,660
Net change in fund balances	(27,102)	4,652	7,986	(14,464)
Fund balances-beginning	110,165	315,226	93,252	518,643
Fund balances-ending	\$ 83,063	\$ 319,878	\$ 101,238	\$ 504,179

The accompanying notes are an integral part of these financial statements.

**FRANKLIN TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
March 31, 2008**

Net change in fund balances - total governmental funds (Exhibit 4)	\$ (14,464)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0-) exceeded depreciation (\$835) in the current period.

(835)

Change in net assets of governmental activities (Exhibit 2)	<u><u>\$ (15,299)</u></u>
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The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CURRENT TAX FUND
March 31, 2008

ASSETS

Cash and cash equivalents	\$ 82,629
Total assets	<u>82,629</u>

LIABILITIES

Due to other funds	<u>82,629</u>
Total liabilities	<u>82,629</u>

NET ASSETS

<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Clare County, which advances the Township 100% for the delinquent taxes.

The 2007 taxable valuation of the Township totaled \$28,183,433 on which ad valorem taxes levied consisted of .7925 mills for Township operating purposes, and 1.7801 mills for road repair and maintenance. These amounts are recognized in the General Fund and Road Fund as current tax revenue.

The Township reports the following major funds:

The General Fund is the primary operating fund for the government. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

In addition, the Township reports additional funds as follows:

The Road Fund accounts for the repair and maintenance of roads within the Township.

The Rubbish Fund account for the pick up and disposal of solid waste within the Township.

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other fund.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building and improvements	25 to 40 years
Furniture and equipment	5 to 20 years

Long-Term Obligations—In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

Excess of Expenditures Over Appropriations in Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund—Township Board	\$ 12,461	\$ 17,387
General Fund—Supervisor	10,553	10,723
General Fund—Assessing	22,348	22,364
General Fund—Buildings and Grounds	8,900	9,497

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

The Township's deposits and investment policy are in accordance with statutory authority. At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 350,184	\$ 82,629	\$ 432,813
Investments	44,125	-	44,125
Total	<u>\$ 394,309</u>	<u>\$ 82,629</u>	<u>\$ 476,938</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificates of deposit)	\$ 432,813
Investments in Securities, Mutual Funds and Similar Vehicles	44,125
Total	<u>\$ 476,938</u>

The Township's investments are categorized as risk category 1, which gives an indication of the level of risk assumed by the entity. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$232,813 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Investment and Deposit Risk (continued)

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that Franklin Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments.

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 8,775	\$ -	\$ -	\$ 8,775
Capital Assets Being Depreciated				
Buildings and improvements	67,636	-	-	67,636
Furniture and equipment	29,479	-	-	29,479
Subtotal	97,115	-	-	97,115
Less Accumulated Depreciation for				
Buildings and improvements	25,636	525	-	26,161
Furniture and equipment	28,859	310	-	29,169
Subtotal	54,495	835	-	55,330
Net Capital Assets Being Depreciated	42,620	(835)	-	41,785
Governmental Activities Capital Assets–Net of Depreciation	\$ 51,395	\$ (835)	\$ -	\$ 50,560

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 4. CAPITAL ASSETS (continued)

Depreciation expense was charged to programs of the Township as follows:

Buildings and improvements	\$ 525
Furniture and equipment - Fire Hall	110
Furniture and equipment - Town Hall	200
	<hr/>
Total depreciation expense	\$ 835
	<hr/>

NOTE 5. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 6. PENSION PLAN

The Township provides pension benefits to all its employees, who have attained 18 years of age, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 12% of each participant's compensation plus a past service credit calculated as 3% of current compensation for each year of past service to a maximum of ten years.

In accordance with these requirements, the Township contributed \$6,093 during the fiscal year ended March 31, 2008.

NOTE 7. LANDFILL

The Township owned and operated a landfill from the mid 1940's to the late 1980's. In 1992, the Township received a grant from the Michigan Department of Natural Resources to properly close the landfill. The grant agreement stipulates monitoring of the site and the submission of bi-annual "Post-closure Inspection Reports" for a 30 year period, which began July 1, 1993.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 8. TOWNSHIP HALL AND PROPERTY

During the 2007/2008 fiscal year, the Township moved from the former township hall on Arnold Lake Road to a new location on Meredith Grade. At this time, the possible sale or other use of the old township hall and the accompanying 10 acres is being considered.

NOTE 9. RELATED PARTY TRANSACTIONS

The Township has snowplowing services performed by the Supervisor; total payments for services provided for the year ending March 31, 2008 were \$950.

FRANKLIN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes and related fees	\$ 31,985	\$ 31,985	\$ 31,970	\$ (15)
State aid	50,000	50,000	55,660	5,660
Interest and dividends	1,400	1,400	1,625	225
Rents and royalties	221	221	177	(44)
Miscellaneous	8,567	8,567	8,193	(374)
Total revenues	92,174	92,174	97,625	5,451
EXPENDITURES				
General Government:				
Township board	12,461	12,461	17,387	(4,926)
Supervisor	10,553	10,553	10,723	(170)
Treasurer	18,204	18,204	17,473	731
Assessing	22,348	22,348	22,364	(16)
Clerk	11,903	11,903	11,428	475
Elections	3,200	3,200	772	2,428
Board of review	2,100	2,100	1,707	393
Buildings and grounds	8,900	8,900	9,497	(597)
All other general government	11,600	11,600	9,739	1,861
Public Safety:				
Fire protection contract	17,437	17,437	17,437	-
Firehall and grounds	6,200	6,200	2,155	4,045
Public Works:				
Roads and drains	-	-	-	-
Landfill	1,000	1,000	-	1,000
Library contract	4,045	4,045	4,045	-
Total expenditures	129,951	129,951	124,727	5,224
Net change in fund balances	(37,777)	(37,777)	(27,102)	10,675
Fund balances-beginning	110,165	110,165	110,165	-
Fund balances-ending	\$ 72,388	\$ 72,388	\$ 83,063	\$ 10,675

September 26, 2008

Members of the Board of Trustees
Franklin Township
Clare County, Michigan

In planning and performing our audit of the financial statements of Franklin Township (the "Township") for the year ended March 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

SIGNIFICANT DEFICIENCIES

Financial Accounting and Reporting

Management relies on the Township's auditors to ensure the financial statements conform to generally accepted accounting principles ("GAAP"). Therefore, as a part of our engagement to audit the financial statements, we draft the financial statements and the related footnotes for

Financial Accounting and Reporting (Continued)

approval by management and the finance committee of the board of directors. This is a conscious and practical approach to preparing the financial statements since the Township has determined that the costs to establish internal controls over financial reporting and to develop the skills and knowledge of its personnel to apply generally accepted accounting principles in preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, as a result of recently issued professional auditing standards, this situation meets the definition of a significant deficiency and a material weakness in internal control.

The interim financial statements and management reports are generally prepared on a comprehensive basis of accounting other than generally accepted accounting principles, i.e. the modified accrual basis. It appears that the interim financial reports received by management are appropriate in form and content thereby allowing management to make appropriate decisions regarding financial matters. Therefore, the control weakness over preparation of financial statements in conformity with GAAP is not a significant requirement of management.

We considered this internal control deficiency in planning the scope of our audit procedures and believe that we have appropriately addressed the risk of any misstatements in the audited financial statements. Therefore, due to the relative cost to eliminate the internal control deficiency over financial reporting in conformity with GAAP related to the risks involved and considering the audit procedures performed to address the risk of misstatements in the audited financial statements, we do not recommend any actions to address this weakness at this time. However, we do recommend that management routinely review the internal controls in place to prepare the interim financial reports to ensure accurate information is provided in those reports.

MANAGEMENT COMMENTS

Financial Oversight (Repeat Comment)

The general limitations in any smaller organization like the Franklin Township require that the Board of Trustees continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the interim financial statements, and the independent review of critical functions. Based on inquiries, the Board of Trustees perform these duties and our comment here is intended to emphasize the importance of its oversight.

This report is intended for the information of the members of the Franklin Township Board, management and the State of Michigan.

This communication is intended solely for the information and use of management, Franklin Township Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

BURNSIDE & LANG, P.C.